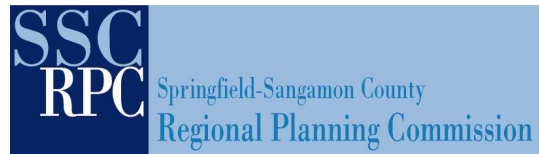


Information Brief



January 19, 2010

Key Information:

Prior to 2007, Illinois did not have a consistent, state-wide process for assessing the value of commercial wind turbines for tax purposes. This was addressed by Public Act 095-0644 which provides for such a process.

The Act:

- Establishes a value of \$360,000 per megawatt of capacity;
- Provides for an inflationary escalator of the value;
- Allows for a depreciation allowance that may not exceed 70% of the trended real property cost basis;
- Addresses taxing of ancillary structures;
- Requires a detailed plat;
- Sunsets in 2011 tax year.

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Wind Energy Device Valuation in Illinois

Illinois Dept. of Revenue Q&A

During a recent informational meeting concerning the Sangamon County wind energy conversion systems zoning ordinance, the County's Supervisor of Assessments provided information from a question and answer sheet produced by the Illinois Department of Revenue (IDOR). A request was made for the Springfield-Sangamon County Regional Planning Commission (SSCRPC) to make this information available to the public, and it is included in the following pages. The original document is also available on the IDOR website at:

<http://www.revenue.state.il.us/LocalGovernment/PropertyTax/windenergydevice.pdf>

It is important to note that prior to 2007, commercial wind turbines were assessed differently in Illinois depending upon the jurisdiction in which they were located. This meant that the taxable value of wind turbines could vary considerably across the state. In Oct. 2007, the Illinois General Assembly addressed this problem by passing Public Act 095-0644, which provides for a consistent valuation procedure throughout the state for commercial wind farm equipment.

The law addresses wind energy devices larger than 500 kilowatts and producing power for commercial use, setting a value of \$360,000 per megawatt of rated capacity. The law also adds an annual inflation rate for their value and defines an allowance for physical depreciation of the device as well as a limit to the amount that can be depreciated.

In order to help assessors assess the devices, the taxpayer is required to provide a plat with a detailed description of the location of the devices as well as any associated roads and improvements.

The Act sunsets after the 2011 tax year.

Wind Energy Device Valuation

Beginning assessment year 2007, the fair cash value for a wind energy device in Illinois will be based on its nameplate capacity per megawatt as prescribed in Section 10-600 *et seq.* of the Property Tax Code.

What is a “wind energy device”?

“Wind energy device” is defined as any device, with a nameplate capacity of at least 0.5 megawatts that is used in the process of converting kinetic energy from the wind to generate electric power for commercial sale. For purposes of this document, “wind energy device” is synonymous with “wind turbine”.

How is the fair cash value for property taxes determined?

Beginning January 1, 2007, each wind energy device is valued at \$360,000 per megawatt of nameplate capacity per turbine. Beginning January 1, 2008, the chief county assessment officer will add the amount allowed as an inflationary increase, called a “trending factor” to the 2007 value; the result is called the “trended real property cost basis.” A set amount for the depreciation is then subtracted from the trended from the trended real property cost basis to determine the taxable value for the current assessment year.

Is personal property included in the \$360,000 fair cash value?

No. Illinois does not impose a personal property tax; as a result, the portion of the wind energy device that may be “real property” has already been excluded from the fair cash value amount. The \$360,000 fair cash value is for the land on which the turbine is located, and the portion of the turbine that may be “real property.” Because Illinois assesses property for tax purposes at one-third of its fair cash value, the assessed value for each wind energy device is \$119,988 per megawatt ($\$360,000 \times .3333$).

What is the trending factor and how is it determined?

The trending factor is an annual inflationary percentage increase in fair cash value of the wind energy device. For purposes of valuing wind energy devices, the trending factor is the annual increase in the consumer price index (U.S. city average for all items), published by the Bureau of Labor Statistics the December before the January 1 assessment date, divided by the consumer price index (U.S. city average for all items), published by the Bureau of Labor Statistics for December 2006. This index is commonly call the “CPI-U”. The Internet site address for this information is <http://www.bls.gov/cpi/>. The Illinois Department of Revenue also posts this information on its website annually.

Note: There is no trending factor for the 2007 assessment year. The definition of trending factor requires the CPU-I for December of the year immediately before the assessment date be divided by the CPI-U for 2006. Since the 2007 assessment year would use the December 2006 CPI-U, the result is “1.00”. ($201.8/201.8 = 1$).

How is the amount allowed for physical depreciation calculated?

The actual age of the wind energy device is divided by 25 then multiplied by the trended real property cost basis. The amount allowed for physical depreciation cannot reduce the wind energy device to less than 30 percent of the trended real property cost basis.

Are buildings and substations included in the value?

No. These real properties are valued separately. The valuation procedure is for wind energy devices and the parcels on which they are located. The parcel is the area immediately surrounding the wind energy device over which the owner has exclusive control.

If a project is completed in 2008, is a trending factor applied?

Yes. The \$360,000 per-megawatt value is for the 2007 assessment year. For example, for assessment year 2009, the 2007 real property cost basis of \$360,000 is multiplied by the trending factor which is the CPI-U published in December 2008 divided by the CPI-U published December 2006.

Are wind energy devices subject to state or local equalization factors (i.e., “multipliers”)?

No.

What are the specific platting requirements?

Wind energy device owners must pay an Illinois registered land surveyor to prepare a plat that includes the metes and bounds description, including any access route, of the area immediately surrounding the wind energy device over which the owner has exclusive control. This platting requirement is not an official subdivision of the land under the Plat Act (765 ILCS 5/1 *et seq.*). Wind energy device owners must record the plat and deliver a copy to the CCAO¹ within 60 days of completing construction of the device. The CCAO will then issue a separate parcel number for the property on which the wind energy device is built. The separate parcel number is issued so that the tax bill can be sent to the wind energy device owner when the device is built on leased ground.

Example:

2-year old wind turbine
2MW nameplate capacity
2008 fair cash value

2007 real property cost basis:	\$720,000 (\$360,000 per megawatt)
hypothetical trending factor is 2.4%:	+ 17,280

trended real property cost basis:	\$737,280
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Depreciation allowance:	
Actual age: 2 years/25 =	x .08
Depreciation	58,982

2008 fair cash value	\$679,680
(trended real property cost basis minus depreciation)	

¹ CCAO: Chief County Assessment Officer.

The Springfield-Sangamon County Regional Planning Commission (SCRPC) serves as the joint planning body for Sangamon County and the City of Springfield. The SSCRPC also serves as the Metropolitan Planning Organization for transportation planning in the region.

The Commission has 17 members including representatives from the Sangamon County Board, Springfield City Council, special units of government, and six appointed citizens from the city and county. The Executive Director is appointed by the Executive Board of the Commission and confirmed by the Sangamon County Board.

The Commission works with other public and semi-public agencies throughout the area to promote orderly growth and redevelopment, and assists other Sangamon County communities with their planning needs. Through its professional staff, the SSCRPC provides overall planning services related to land use, housing, recreation, transportation, economics, environment, and special projects. It also houses the Sangamon County Department of Zoning which oversees the zoning code and liquor licensing for the County.

The Commission prepares area-wide planning documents and assists the County, cities, and villages, as well as special districts, with planning activities. The staff reviews all proposed subdivisions and makes recommendations on all Springfield and Sangamon County zoning and variance requests. The agency serves as the county's Plat Officer, Floodplain Administrator, Census coordinator, and local A-95 review clearinghouse to process and review all federally funded applications for the county. The agency also maintains existing base maps, census tract maps, township and zoning maps and the road name map for the county.

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